# The Revenue Impact of Corporate Tax Incentives

The Governmental Accounting Standards Board (GASB) is the professional organization that establishes standards of accounting and financial reporting for state and local governments. In 2015, GASB added "Statement No. 77 on Tax Abatement Disclosures" to its Generally Accepted Accounting Principles (GAAP). GASB 77 requires most state and local governments (including school districts) to report tax abatement programs (if they have such a program/s) in their annual comprehensive financial reports (ACFRs), specifying the **amount of revenue reduced or foregone** as a result of these tax abatements programs. This new rule, GASB 77, allows the public to see how much money for public services is lost to tax breaks given to corporations. This fact sheet summarizes that foregone revenue for Kentucky's five most populous cities, counties, and school districts and the state itself, where available.

Between fiscal years 2017 and 2021, the state of Kentucky and its five largest cities and counties **lost $862 million** due to economic development tax breaks. For context, that's more than the entire state of Kentucky spent ($770 million) on natural resources and protecting the environment in 2021. The tables below list **only** the five most populous cities and counties and the state itself. The true statewide total is presumably much higher. None of the five most populous school districts in the state disclose tax abatements, though they are required by state law to do so.

| Foregone Tax Revenue, Five Most Populous School Districts in Kentucky | | | | | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Jefferson County Public Schools | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Fayette County Public Schools | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Boone County Public Schools | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Warren County Public Schools | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Hardin County Public Schools | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| Annual Total | Unknown | Unknown | Unknown | Unknown | Unknown |
| **Selected School Districts Five-Year Total: Unknown** | | | | | |

Source: Annual Comprehensive Financial Reports for the reported jurisdictions

| Foregone Tax Revenue, Five Most Populous Cities, Counties, and State of Kentucky | | | | | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Louisville/Jefferson City-County** | $12,549,576 | $13,110,523 | $12,696,284 | $8,489,934 | $9,645,627 |
| **Lexington/Fayette City-County** | $1,043,738 | $1,197,471 | $1,448,550 | $1,566,519 | $1,724,773 |
| **City of Bowling Green** | $1,584,837 | $2,508,063 | $2,742,136 | $1,929,903 | $1,881,894 |
| **City of Owensboro** | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| **City of Covington** | $513,994 | $234,940 | $531,954 | $503,340 | $530,013 |
| **City of Georgetown** | $2,363,260 | $2,626,210 | $2,523,382 | $1,923,534 | $1,218,558 |
| **Hardin County** | No Disclosure | No Disclosure | No Disclosure | No Disclosure | No Disclosure |
| **Kenton County** | $114,065 | $114,949 | $124,215 | $142,542 | $198,981 |
| **Warren County** | $128,791 | $165,913 | $172,823 | $189,238 | $193,184 |
| **Boone County** | $84,998 | $63,625 | $53,340 | $47,387 | Not Available |
| **State of Kentucky** | $169,005,000 | $178,653,000 | $195,799,000 | $140,150,000 | $89,880,000 |
| Annual Total | $187,388,259 | $198,674,694 | $216,091,684 | $154,942,397 | $105,273,030 |
| **Selected Cities, Counties, and State Five-Year Total: $862,370,064** | | | | | |

Source: Annual Comprehensive Financial Reports for the reported jurisdictions

During this five-year period, Kentucky and its reporting jurisdictions lost an average of $172 million every year due to economic development tax breaks. Some of these abatements are in the form of Tax Increment Financing (TIF) agreements, which capture the increase in property taxes (and sometimes other taxes, including state taxes) resulting from new development and divert that revenue to subsidize the development.

**Key findings:**

- From 2017 through 2021: **Lexington/Fayette City/County's revenue losses increased 65%** — from $1,043,738 in 2017 to $1,724,773 in 2021. This revenue loss was largely due to the local match to the state-controlled Kentucky Business Investment Program, which gives tax breaks to companies engaging in energy-efficient alternative fuel production, alternative fuel production, and gasification.
- During this period the City of Georgetown lost $9.7 million to tax abatements, largely due to the state administered Kentucky Job Retention Program (KJRA). **Nearly all of Georgetown's abatement losses went to tax breaks for a Toyota manufacturing plant** under the KJRA program.
- **The State of Kentucky lost a total of $773 million**, largely due to TIF and two programs that give tax breaks to companies relocating or expanding in the state: the Kentucky Rural Economic Development (KREDA) program and the Kentucky Business Investment (KBI) program. KBI is a problematic program. In addition to income tax credits, it allows companies to keep workers' withholding taxes; it also requires a local match, meaning localities must provide subsidy to companies.

Again: these findings are only from a handful of Kentucky cities and counties. The state has a total of 549 municipalities, 120 counties, and 171 school districts.

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For more information about these abatements, see **taxbreaktracker.goodjobsfirst.org.**
For company-specific information, see **subsidytracker.goodjobsfirst.org.**